

## Old Age, Disability, Death

First laws: 1936 (wage earners) and 1962 (salaried employees).

Current laws: 1973 (unified Social Security Retirement Act) and 1991 and 1995 (private pension system).

Type of program: Social insurance system (SNP) and individually funded private pensions (SPP).

**Exchange rate:** U.S.\$1.00 equals 3.09 nuevo soles.

### Coverage

Employees can choose between the SNP and SPP.

**SNP**—Wage earners and salaried employees in private and public sectors, employees of worker-owned and cooperative enterprises, teachers, self-employed drivers, artists, and domestic workers.

Special systems: Fishermen, stevedores and employees not covered under national pension system. Voluntary coverage for self-employed and economically active no longer in covered employment (a minimum of 18 months previous coverage required), and housewives.

**SPP**—Employed. Voluntary for the self-employed.

### Source of Funds

**SNP—Insured person:** 13% of earnings.

**Employer:** None.

**Government:** None. Guarantees minimum pension. Special subsidies needed to finance program.

Minimum earnings for contribution purposes: Legal minimum wage.

For domestic workers, 1/3 of minimum wage.

Maximum: No contribution ceiling.

**SPP—Insured person:** 10% of earnings to fund old-age benefits, (lowered to 8% of earnings until December 31, 1999) plus fees to cover administrative costs, survivors' and disability insurance.

**Employer:** None

**Government:** None.

### Qualifying Conditions

**SNP—Old-age pension:** Men born up to December 18, 1932 and women, up to December 18, 1937 with 15 and 13 years of contributions, respectively. Men and women born after these dates with 20 years of contributions and age 65.

**Disability pension:** Loss of 2/3 of earning capacity. Employed at time of disablement; or 36 months of contribution with 18 in last 36 months; or 12 months in last 36 months if from 3 to 15 years of contribution; or 15 or more years of contribution.

**Survivor pension:** Insured was pensioner or qualified for pension at death.

**SPP—Old-age pension:** Age 65. However, a benefit is payable at any age if the individual capitalization fund has accumulated assets that will replace at least 50% of average indexed earnings in last 10 years.

**Disability pension:** Loss of 2/3 of earning capacity.

**Survivor pension:** Deceased actively enrolled or was pensioner.

### Old-Age Benefits

**SNP—Old-age pension:** Men born up to December 18, 1932 and women, December 18, 1937, 50% of reference salary plus 2% for men and 2.5% for women for each additional year of contribution beyond 15 and 13, respectively. Reduced pension, 1/30 or 1/25 of

reference salary between 5 and 14 or 5 and 12 for men and women, respectively. Reference salary is equal to the average earnings in the last 12 months.

Men born after December 18, 1932 and women after December 18, 1937, 50% of reference salary plus 4% for each additional year of contributions beyond 20. Reference salary between 20 and 25 years of contribution, average earnings of last 5 years; for 25-30 years of contribution, average earnings in last 4 years. For more than 30 years of contribution, average earnings in last 3 years.

**Dependents supplements:** In both cases, increment of 2-10% for spouse and 2-5% for each child.

**Maximum pension,** 100% of reference salary, but not more than 600 nuevo soles.

**Minimum pension:** Up to 5 years of contribution, 145 nuevos soles.

6-9 years of contributions, 173 nuevo soles, 10-19 years, 200 nuevos soles and more than 20 years, 250 nuevos soles.

**Constant-attendance supplement:** Amount equal to minimum wage.

**Adjustment:** Pensions adjusted according to changes in the cost of living in Lima.

**SPP—Old-age pension:** Earnings replacement will vary according to the financial performance of the individual pension fund account. Value of insured's contribution under the public system provided as an indexed bond.

Beneficiaries have three options in receiving their pensions:

- 1 A personal annuity
- 2 A family annuity
- 3 Programmed withdrawals; and
- 4 Deferred annuity.

### Permanent Disability Benefits

**SNP—Disability pension:** 50% of reference salary plus 1.5% of each year of contributions over 3 years. If contribution between 1 and 3 years, 1/6 of average earnings for each year. Minimum, 3 times legal minimum wage. Maximum, 80% of total earnings.

**Dependents' supplements:** 2% to 10% of earnings for spouse and 2% to 5% for each child. Amount reduced if concurrent earnings and pension exceeds former average earnings.

**Constant-attendance supplement:** Amount equal to minimum wage.

**Benefits for voluntarily insured self-employed persons** are based on average earnings in last 60 months.

**Adjustment:** Pensions adjusted according to changes in the cost of living in Lima.

**SPP—Disability pension:** Accrued capitalization in addition to group disability and survivors' insurance according to the same condition applicable to the old-age benefit.

### Survivor Benefits

**Old System—Survivor pension:** 50% of pension paid or accrued to insured, payable to widow and to disabled widower. Orphans under age 18 (21 if student, any age if disabled), 20% each of pension payable to widow or 40% if full orphan.

Minimum, 3 times minimum wage in Lima. Eligible dependent parents, 20% each. Survivor benefit payable to dependent parents if no other survivors.

**Maximum survivor pension:** 100% of pension of insured; minimum orphan pension, 1-1/2 times legal minimum wage.

Funeral grant: Cost of burial up to 5 times minimum wage.  
 Constant-attendance supplement: Amount equal to minimum wage, if disabled.

Adjustment: Pensions adjusted quarterly according to changes in the cost of living in Lima.

**SPP—Survivor pension:** Same as under disability.

#### Administrative Organization

**SNP—**Comptroller General of the Republic, general supervision.

Office of Social Security Normalization, administration of program.

**SPP—**Superintendency of Pension Fund Administrators (SAFP), general supervision. Investment Classification Commission, assessment of investment risks.

### Sickness and Maternity

First laws: 1936 (wage earners) and 1948 (salaried employees).  
 Current laws: 1997 (IPSS—**public** and EPS—**private**).  
 Type of programs: Social insurance system and private insurance.  
 Cash and medical benefits.

#### Coverage

**IPSS—**Employed persons in private and public sectors, employees of worker-owned and cooperative enterprises, professional artists, self-employed drivers, domestics, pensioners, voluntarily insured, spouse of insured, children under age 18, and disabled husband of insured.

Voluntary coverage for self-employed and economically active no longer in covered employment (a minimum of 18 months previous coverage required), and housewives.

**EPS—**All persons opting out of the old social security program and their dependents.

#### Source of Funds

**Insured person:** None. Pensioners, 4% of pension.

**Employer:** 9% of payroll. (Companies that use EPS given 25% credit for contribution.)

**Government:** None.

#### Qualifying Conditions

**Cash sickness and medical benefits:** 3 months' consecutive contributions, or 4 months of contributions in last 6 months immediately preceding onset of illness.

**Cash maternity benefits:** Current coverage when conceived child.

#### Sickness and Maternity Benefits

**SNP—Sickness benefit:** 100% of average daily earnings in last 4 calendar months, payable after 20-day waiting period (during which employer must pay full salary) for up to 11 months and 10 days.

**Maternity benefit:** 100% of earnings, up to maximum, payable for 45 days before and 45 days after confinement.

Nursing allowance, two times the minimum wage from 8-14 months of age.

#### Workers' Medical Benefits

**Medical benefits:** Option of receiving direct services from Social Security Institute's own or contracted facilities (IPSS) or private health provider organization (EPS), provided 51% of employees

agree to the change. Includes general and specialist care, maternity care, dental care, hospitalization, laboratory services, appliances, and medicines (services subject to availability of necessary facilities).  
 Duration: 12 months (may be extended in certain cases).

**EPS—**Copayment, 2% of monthly income up to a maximum of 10% of income or 240 nuevos soles, whichever is lower. May purchase additional coverage.

#### Dependents' Medical Benefits

**Medical benefits for dependents:** Wife of insured man receives same sickness and maternity benefits as insured woman. Children under age 18 receive medical care.

Funeral grant: 2,070 nuevo soles.

#### Administrative Organization

Peruvian Social Security Institute, general supervision.

Health Social Security (EsSalud), administration of program.

### Work Injury

First laws: 1911 (work injury); 1935 (occupational diseases).  
 Current law: 1997.

Type of program: Social insurance system. Cash and medical benefits.

#### Coverage

Wage earners, including fishermen, domestic workers, and journalists working for one employer. Salaried employees covered under sickness and maternity program, above.

#### Source of Funds

**Insured person:** None.

**Employer:** 1% to 12.2% of payroll, according to risk and accident rate, average 2%.

**Government:** Contributes as employer.

Maximum earnings for benefit purposes: 6 times local minimum wage.

#### Qualifying Conditions

**Work-injury benefits:** No minimum qualifying period.

#### Temporary Disability Benefits

**Temporary disability benefit:** 100% of wages, payable after 20-day waiting period during which employers must pay full salary) for up to 11 months and 10 days, or 340 days. Maximum, no more than 18 months in a 36-month period.

#### Permanent Disability Benefits

**Permanent disability pension:** 80% of average wages (100% in cases requiring constant attendance), if totally disabled (more than 65% incapacity).

Partial disability (40%- 65% incapacity): pension proportionately reduced. Lump sum of 2 years' pension if disability less than 40%.

#### Workers' Medical Benefits

**Medical benefits:** Necessary medical, surgical, and hospital care and appliances until recovery or certification of permanent disability.

**Survivor Benefits**

**Survivor pension:** 50% of total disability pension of insured, payable to widow and to disabled widower. Orphans: 25% of pension of insured for each orphan under age 18 (23 if student). Parents' pension (in absence of above): 25% of pension of insured for each eligible parent. Maximum survivor pensions: 100% of pension of insured.  
Funeral grant: 2,070 nuevos soles.

**Administrative Organization**

Comptroller General of the Republic, general supervision.  
Office of Social Security Normalization (ONP) administration of program.